



CDBG/HOME/ADDI PROGRAM POLICY AND PROCEDURES MANUAL

SUBJECT: CDBG REHABILITATION LOAN PROGRAM STANDARDS

PURPOSE

The primary objective of Title I of the Housing and Community Development Act of 1974, as amended, is the development of viable urban communities. This is achieved by: providing decent housing, providing a suitable living environment, and expanding economic opportunities. This activity meets the national objective of benefiting low-and-moderate-income persons.

This program meets the Dane County Consolidated Plan priority of providing for the rehabilitation or development of affordable renter-occupied housing units. The program will provide loans to eligible applicants to rehabilitate rental housing occupied by low-to-moderate income tenants.

ELIGIBLE LOAN APPLICANTS

In order to be considered for financing, applicants must meet the following requirements:

- Be legally capable of entering into a binding agreement;
- Be a U.S. Citizen or legally admitted resident alien;
- Be the property owner of record;
- Demonstrate that the property to be rehabilitated is economically viable and the borrower(s) will have the economic ability to repay the funds;*
- Be current on all personal and business income and property taxes, and mortgage payments on subject property;*
- Not-for profits corporations are eligible to apply. The corporation must be a 501(c) 3 or 4 tax exempt organization.

ELIGIBLE PROPERTIES

- The property must be located in one of the participating municipalities of the Dane County Urban County Consortium.
- The property must be a non owner-occupied, residential rental property containing no more than four dwelling units.*
- Eligible properties must be 75% occupied by households with incomes of no more than 80% of the Dane County median income.*

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- Transitional as well as permanent housing, including group homes and SROs, is allowed.
- Property must pass an environmental review conducted by Dane County Community Development Block Grant staff before funds will be committed.
- Property must meet all applicable State and local code requirements, and must meet the housing quality standards in 24 CFR 982.401 by project completion.*
- Properties constructed or manufactured before 1978 must be inspected for lead-based paint hazards. If deteriorated paint is found it must be properly remediated in compliance with the Lead Safe Housing Rule.

MATCHING FUNDS

The Rental Rehabilitation Loan program requires “matching funds” from the property owner. The County may loan up to 75% of the total cost of a project.*

ELIGIBLE EXPENSE CATEGORIES

The following categories of expense shall be considered eligible for funding under the program.*

- All work identified as not meeting the housing quality standards in 24 CFR 982.401 or applicable local standards;
- Repair or replacement of major housing systems in danger of failure;
- Improvements designed to remove material and architectural barriers that restrict the mobility or accessibility of the unit;
- Improvements necessary to eliminate or reduce lead-based paint hazards;
- Energy-related repairs or improvements;
- Architectural, engineering or related professional services required in the preparation of rehabilitation plans and drawings or write-ups;
- Costs for processing and settling the financing for a project, such as credit reports, fees for title evidence, fees for recordation and filing of legal documents, building permits, private appraisal fees and fees for an independent rehabilitation cost estimate.

INELIGIBLE EXPENSE CATEGORIES

The following categories of expense shall be considered ineligible for funding under the program.

- Property acquisition;
- Refinancing of existing debt;
- New construction of building additions or additional rental dwelling units;
- New construction of decks, fireplaces, outbuildings, or recreational or entertainment facilities;
- Construction items and expenses that are completed before loan approval.

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AFFORDABILITY PERIOD

The loan applicant must agree to abide by program rent limits, and rent assisted to units to low-to-moderate income tenants through the lesser of the term of the loan, or 5 years from project completion.*

RENT LIMITS

Initial Project Rents

The rents after rehabilitation cannot exceed the HUD fair market rents for Dane County applicable at the time of project completion.

Subsequent Rents

- The maximum rents are recalculated by HUD on a periodic basis and will be made available to rental project owners/managers. Regardless of changes in fair market rents and in median income over time, the rents for a project are not required to be lower than the rent limits for the project in effect at the time of project commitment.
- Owners of CDBG-assisted rental housing must annually provide information on rents and tenant occupancy to demonstrate compliance with program requirements through the affordability period.

PROPERTY STANDARDS

- Rehabilitated housing must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances the time of project completion. Housing must all meet the housing quality standards in 24 CFR 982.401. The property must also meet all applicable requirements of the Lead Safe Housing Rule 24 CFR 35.
- All rehabilitation work must be done in compliance with the Dane County CDBG and HOME Program Rehabilitation Standards.
- Rental project owners must maintain the housing in compliance with all applicable State and local requirements, and the housing quality standards in 24 CFR 982.401 through the term of the loan.

LOAN FEATURES

Lending Limits:	The Rental Rehabilitation Loan will cover up to 75% of project costs. The maximum loan amount will be \$20,000 for a single unit, and \$6,500 for each additional unit up to a maximum of \$39,500 for 4-unit building. A minimum \$5,000 loan must be required to complete necessary repairs.*
Terms:	Loans provided under the program shall have a maximum term of fifteen years.*
Interest Rate:	3% simple interest.*
Loan Security:	The borrower(s) must provide security for a Rental Rehabilitation Loan in the form of a mortgage and promissory note on the subject property. In the case of multiple ownership, the signature of every titleholder to the property will be required.
Prepayment Penalty	None
Repayment	The loan repayments will begin 30 days after rehab is

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completed.*

Lump Sum Repayment

The loan shall become immediately due and payable to the County upon the occurrence of any of the following:

- Title to, or equitable ownership in, the property is transferred to any party other than the surviving spouse of the borrower(s), if any; or
- The borrower(s) default in meeting any of the terms and conditions of the loan, or
- The borrower(s) refinance with cash-out.

LOAN UNDERWRITING*

Credit Requirements:

Cash flow must be sufficient to service debt.

Loan to Value Ratio:

90%

Debt Coverage Ratio:

1.1 – 1.25:1

LOAN REVIEW

Loans will be reviewed and acted upon by the CDBG Commission.*

RIGHT TO FINANCIAL PRIVACY ACT OF 1978 NOTICE

The Department of Housing and Urban Development (HUD) has a right of access to financial records held by any financial institution in connection with the consideration or administration of the rehabilitation loan for which the borrower applied. Financial records involving the transaction will be available to HUD but will not be disclosed or released to another Government agency or Department without the borrower’s consent except as required or permitted by law.

FEDERAL OVERLAY REQUIREMENTS

Environmental Review Requirements – All CDBG funded projects are subject to environmental review. No work may begin until the County gives notice to proceed.

Labor Standard Requirements – If the loan will fund interior or exterior construction on eight or more units, the construction contracts are subject to Federal Davis-Bacon Labor Standards and Minimum Wage Rates on the entire project.

Other Requirements – There are a number of other standards that may be applicable to these projects where CDBG funds are used. These may include but are not limited to: Acquisition, Procurement, Relocation and Anti-Displacement, Equal Employment Opportunity, Section 3, Debarment and Suspension, Conflict of Interest, and more.

* indicates this is not a CDBG requirement and may be adjusted by the Commission